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March 1, 2002

BY OVERNIGHT DELIVERY

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

**Re: Notification of Proposed Indirect Transfer of Control of McLeodUSA
Telecommunications Services, Inc.**

02-00266

Dear Mr. Waddell:

McLeodUSA Telecommunications Services, Inc. ("McLeodUSA"), by its undersigned counsel, hereby notifies the Tennessee Regulatory Authority ("TRA") of the proposed indirect transfer of control of McLeodUSA to Forstmann Little.¹ McLeodUSA is an authorized provider of intrastate telecommunications services in the State of Tennessee. The Forstmann Little Partnerships are members of a family of affiliated private investment funds. The indirect transfer of control will result from the pending recapitalization of its ultimate parent company, McLeodUSA Incorporated. Further information regarding the parties and a description of the transaction are provided below.

Upon review of Tennessee statutes and the TRA's rules and regulations, McLeodUSA understands that prior TRA approval is not required to complete the indirect transfer of control described herein. McLeodUSA therefore submits this notification letter ("Notification") for the TRA's information and asks the TRA to retain it in the appropriate file.

An original and thirteen (13) copies of this letter are enclosed. Kindly date stamp and return the enclosed extra copy of this letter in the postage paid envelope provided.

¹ For purposes of this Notification, Forstmann Little is comprised of five affiliated partnerships: Forstmann Little & Co. Equity Partnership-VII, L.P., Forstmann Little & Co. Subordinated Debt & Equity Management Buyout Partnership-VIII, L.P., Forstmann Little & Co. Equity Partnership-V, L.P., Forstmann Little & Co. Subordinated Debt & Equity Management Buyout Partnership-VI, L.P., and Forstmann Little & Co. Subordinated Debt & Equity Management Buyout Partnership-VII, L.P., and any other investment fund controlled and managed by the same general partner or investment manager as any of the foregoing (collectively "Forstmann Little" or the "Forstmann Little Partnerships").

Description of the Parties

McLeodUSA. McLeodUSA is an Iowa corporation with principal offices located at McLeodUSA Technology Park, 6400 C Street, SW, Cedar Rapids, Iowa 52406-3177. McLeodUSA provides integrated communications services, including local services, primarily in 25 Midwest, Southwest, Northwest, and Rocky Mountain states. McLeodUSA is a wholly owned subsidiary of McLeodUSA Holdings, Inc. which, in turn, is a wholly owned subsidiary of McLeodUSA Incorporated, a publicly traded Delaware corporation and one of the largest independent competitive local exchange carriers in the United States.

In Tennessee, McLeodUSA is certified as a Competing Telecommunications Service Provider, authorized to provide facilities-based and resold local exchange and interexchange services pursuant to the January 24, 2001 order of the TRA, Order Approving Transfer of Authority, issued in Docket No. 00-00906. McLeodUSA was authorized to operate as reseller of telecommunications and operator services pursuant to the Certificate granted by the TRA by Order issued in Case 96-01632 on March 25, 1997.

Further information concerning McLeodUSA's legal, technical, managerial and financial qualifications to provide service was submitted with its applications for certification as noted above and is, therefore, a matter of public record.

Forstmann Little. The Forstmann Little Partnerships are members of a family of affiliated private investment funds, Forstmann Little & Co., which has long been recognized as a preeminent acquirer and owner of businesses. Over its 23-year history, the firm has invested almost \$12 billion in the 29 acquisitions and investments it has made and has generated consistently superior subordinated debt and equity returns on significant amounts of partnership capital. Forstmann Little & Co. focuses exclusively on acquiring high quality, high growth companies, investing substantial amounts of its own capital to provide for significant ongoing expansion.

Description of the Transaction

As stated above, the indirect transfer of control of McLeodUSA will result from the pending recapitalization of its ultimate parent company, McLeodUSA Incorporated ("Parent").²

By way of background, Parent filed a pre-negotiated plan of reorganization (the "Reorganization Plan" or "Plan") in its chapter 11 bankruptcy proceeding as a key step in positioning Parent for the future through a restructuring of its capital structure. Neither McLeodUSA nor any other subsidiary of Parent, however, has filed for bankruptcy protection and therefore is not part of Parent's bankruptcy proceeding. McLeodUSA emphasizes that during Parent's bankruptcy proceeding, McLeodUSA expects to operate its business in the

² On January 31, 2002, Parent filed a voluntary petition in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") for reorganization relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330.

ordinary course without interruption, with no impact upon its customers, employees, and trade creditors, and without interference from the Bankruptcy Court.

The Reorganization Plan contemplates that affiliates of Forstmann Little & Co. will increase their equity ownership of Parent through a new investment of \$175 million and the conversion of existing preferred stock. As a result of these transactions, Forstmann Little would own a total of approximately 57 per cent of the reorganized Parent's Common Stock.³ Consequently, the Reorganization Plan will result in an indirect transfer of control of McLeodUSA to Forstmann Little. Attached hereto as Exhibit A is an illustrative chart depicting the corporate structure of Parent and McLeodUSA prior to and immediately following consummation of the Reorganization Plan.

Public Interest Considerations

McLeodUSA emphasizes that the indirect transfer of control described herein will not involve a change in the name under which McLeodUSA currently operates nor any change in the manner in which McLeodUSA currently offers service in the State of Tennessee. Immediately following the recapitalization, McLeodUSA will continue to offer the services it currently offers with no change in the rates or terms and conditions of service. McLeodUSA, moreover, will continue to be led by the same team of experienced telecommunications management. The indirect transfer of control of McLeodUSA to Forstmann Little therefore will be seamless and transparent to consumers in the State of Tennessee, in terms of the services they receive.

Request For Expedited Review, If Approval is Deemed Required

As stated above, it is McLeodUSA's understanding that no prior TRA approval is required to complete the indirect transfer of control described herein. To the extent, however, that approval or other action by the TRA is otherwise deemed required for this transaction, McLeodUSA respectfully requests that this Notification be treated as an application for such approval or action. McLeodUSA further respectfully requests that such approval or action be granted on an expedited basis in order to allow Parent and the other parties to implement the Reorganization Plan, and consummate the transactions contemplated thereby, as soon as possible but no later than April 5, 2002.

The April 5, 2002 date is a critical deadline for McLeodUSA and Parent because the confirmation hearing, at which the Bankruptcy Court will consider the Reorganization Plan, is scheduled to commence on April 5, 2002. To permit consummation of the Reorganization Plan as expeditiously as possible, McLeodUSA therefore respectfully requests expedited approval, to the extent that such approval is required, of the indirect transfer of control described herein.

³ As stated above, the transactions described herein are subject to confirmation of the Reorganization Plan by the Bankruptcy Court.

David Waddell, Executive Secretary
March 1, 2002
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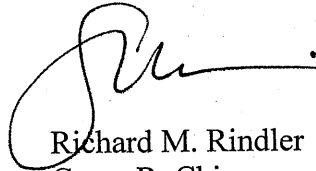
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Wherefore, undersigned counsel respectfully requests that the TRA promptly notify Rogena Harris at (202) 295-8303, if there are any questions regarding this Notification and the proposed transaction.

Respectfully submitted,



Richard M. Rindler
Grace R. Chiu

Counsel to McLeodUSA Telecommunications
Services, Inc.

cc: David R. Conn (McLeodUSA)
Bethany M. Erwin (McLeodUSA)
Rogena Harris

EXHIBIT A

**CORPORATE STRUCTURE OF THE PARTIES PRIOR TO AND IMMEDIATELY
FOLLOWING CONSUMMATION OF THE REORGANIZATION PLAN**

EXHIBIT A
Indirect Transfer of Control of
McLeodUSA Telecommunications Services, Inc. to Forstmann Little

